

TOWNSHIP OF MOSCOW
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* MOSCOW TOWNSHIP	County* HILLSDALE	Type* TOWNSHIP	MuniCode* 30-1-100
Opinion Date-Use Calendar* 10/31/2008	Audit Submitted-Use Calendar* 11/12/2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- ☒ ☐ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ ☐ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ ☐ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ ☐ 5. Did the local unit adopt a budget for all required funds?
- ☒ ☐ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ ☐ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ ☐ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☐ ☐ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ ☐ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ ☐ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ ☐ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ ☐ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- ☒ ☐ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ ☐ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ ☐ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☐ ☐ 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 169,062.00
General Fund Expenditure:	<input type="checkbox"/> \$ 173,561.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 101,749.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 9,620.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* KELLY	Last Name* HODSHIRE	Ten Digit License Number* 1101020992		
CPA Street Address* 479 E CHICAGO ST	City* JONESVILLE	State* MI	Zip Code* 49250	Telephone* +1 (517) 849-2410
CPA Firm Name* BAILEY, HODSHIRE & CO.	Unit's Street Address* 7324 E CHICAGO RD	Unit's City* JONESVILLE	Unit's Zip* 49250	

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Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Moscow
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Moscow as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Moscow as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and pages 20 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Moscow's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bailey, Hodshire & Company PC

October 31, 2008
Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MOSCOW

The following discussion and analysis of the financial performance for the Township of Moscow (the "Township") provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements which follow this section.

Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2008:

- The assets of the Township exceeded its liabilities at March 31, 2008 by \$384,359 (net assets). Of this amount, \$106,038 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by \$27,791.
- As of March 31, 2008, the Township's governmental funds reported combined ending fund balances of \$106,038, a decrease of \$2,762. The amount available for spending at the government's discretion (unreserved fund balance) is \$60,103.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township of Moscow's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Township's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.
- The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and state shared revenues).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Township include general government, public safety, highways and roads, capital improvements, solid waste and cemetery management. The government-wide financial statements can be found on pages 7 - 8 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MOSCOW

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Moscow, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Township's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township of Moscow maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Cemetery Perpetual Care Permanent Fund and the Parks Fund.

The Township adopts an annual appropriated budget for the general fund and Park Fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as the Tax Fund where property taxes are collected and disbursed on behalf of and to other local units of government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township of Moscow's own programs. The basis of accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 12 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MOSCOW

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-19 of this report.

The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the tables below show the Township's net assets and changes in net assets for the year.

TABLE 1 - NET ASSETS

	<u>2007</u>	<u>2008</u>
Assets		
Current Assets	\$ 108,800	\$ 106,038
Capital Assets-Net	<u>315,830</u>	<u>287,941</u>
Total Assets	<u>\$ 424,630</u>	<u>\$ 393,979</u>
Liabilities		
Current Liabilities	\$ 0	\$ 0
Long-term Liabilities	<u>12,480</u>	<u>9,620</u>
Total Liabilities	<u>\$ 12,480</u>	<u>\$ 9,620</u>
Net Assets		
Invested in Capital Assets Net of Debt	\$ 303,350	\$ 278,321
Restricted	0	0
Unrestricted	<u>108,800</u>	<u>106,038</u>
Total Net Assets	<u>\$ 412,150</u>	<u>\$ 384,359</u>
Total Liabilities and Net Assets	<u>\$ 424,630</u>	<u>\$ 393,979</u>

TABLE 2 – CHANGES IN NET ASSETS

	<u>2007</u>	<u>2008</u>
Program Revenues		
Charges for Services	\$ 16,289	\$ 17,462
Operating Grants and Contributions	0	0
Capital Grants and Contributions	0	0
General Revenues		
Property Taxes	43,072	35,934
State Shared Revenue	98,594	99,415
Unrestricted Investment Earnings	2,602	4,176
Miscellaneous	<u>13,448</u>	<u>12,119</u>
Total Revenue	<u>\$ 174,005</u>	<u>\$ 169,106</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MOSCOW

Program Expenses		
General Government	\$ 89,058	\$ 83,549
Public Safety	64,526	73,313
Public Works	20,693	36,389
Culture and Recreation	534	834
Depreciation – Unallocated	<u>2,812</u>	<u>2,812</u>
Total Expenses	\$ <u>177,623</u>	\$ <u>196,897</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>(3,618)</u>	\$ <u>(27,791)</u>

The Township's total governmental revenues decreased by \$4,899 this year and the expenditures increased \$19,274. During the year, the Township continued to monitor their revenues and expenditures.

The Township's Funds

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund and the Cemetery Fund and the Parks Fund.

The General Fund pays for most of the Township's governmental services. The most significant are road work and fire protection; these areas incurred expenses of approximately \$74,179 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget three times to account for unexpected expenditures.

Capital Asset and Debt Administration

At the end of the fiscal year 2008, the Township had approximately \$287,941 (net of depreciation) invested in a broad range of capital assets, including land, buildings, equipment, vehicles, etc. There is no related infrastructure reported in the year end net capital investment because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 17.

Economic Factors and Next Year's Budgets and Rates

Once again, the Moscow Township Board of Trustees has been very conservative when planning the budget due to cutbacks in the State Shared Revenue Program to townships. When the state forecasted that Moscow Township would receive: i.e. \$100,000 in revenue, we used \$90,000 for budgeting purposes. We have used this practice for the last few years. We believe it has worked quite well in that a few thousand dollars were received over the budget, affording the township somewhat of a cushion to fall back on if needed. The Governor and State Legislators seem to discuss cutbacks for State Shared Revenue Programs quite frequently, so another cutback could happen at any time and we would already have it budgeted.

We will have to be very conservative in our future spending. A recent article in our local paper stated that State Equalized Valuations (SEV) were being reviewed and should be coming down more in line with the value of the property. We are not taxed on our SEV, but on the Taxable Value which should be lowered if the SEV's are lowered. While all taxpayers would like to see their taxes lower, this will affect our second largest revenue for the Township in that collections would be less.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MOSCOW

Moscow Township still has two sources for potential housing developments in the next 10-20 years. Stansley Mineral Resources (80 acres) and Thompson-McCully Company (160 acres) have shared plans for lake development with housing opportunities after their gravel mining operations have ceased. While nothing has been cast in stone, and we have not had any current communications, this growth potential still exists.

It was mentioned in our 2006 audit that property located on US-12 and Dennings Road had several housing sites available for development. At this time, this venture will not materialize as the land has returned to productive agricultural land.

A fire protection survey was mailed to our Township residents along with their summer tax notice asking for the resident's opinion on whether a new fire station/community building should be considered at this time. The results were to repair, add on, or do with what we have. A millage was not a consideration at this particular time due to the economic fallout.

The Township Board is in the process of building the Park Fund as we would still like to have a pavilion, new picnic tables, grills and more playground equipment installed.

Overall, the Moscow Township Board of Trustees feels that Moscow Township should take a very conservative attitude toward our future expenditures, watch for grants and apply whenever possible to help us through these economic restraints and still be able to offer fire protection, dust control, safe roads and a park for our children to play.

Contacting the Township's Management

This Financial report is intended to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF MOSCOW
STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS

Cash & Investments	\$ 101,112
Taxes Receivable	4,926
Capital Assets - Net	<u>287,941</u>
Total Assets	<u>\$ 393,979</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ <u>0</u>
Total Current Liabilities	<u>\$ 0</u>
Noncurrent Liabilities	
Installment Loan	\$ 9,620
Total Noncurrent Liabilities	<u>\$ 9,620</u>
Total Liabilities	<u>\$ 9,620</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 278,321
Unrestricted	<u>106,038</u>
Total net assets	<u>\$ 384,359</u>
Total liabilities and net assets	<u>\$ 393,979</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government	\$ 83,549	\$ 14,542	\$ 0	\$ 0	\$ (69,007)
Public Safety	73,313	1,800	0	0	(71,513)
Public Works	36,389	1,120	0	0	(35,269)
Culture & Recreation	834	0	0	0	(834)
Depreciation-Unallocated	<u>2,812</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,812)</u>
Total	<u>\$ 196,897</u>	<u>\$ 17,462</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(179,435)</u>
General Revenues:					
Property tax, levied for general purposes					\$ 35,934
State shared revenue					99,415
Unrestricted investment earnings					4,176
Other					<u>12,119</u>
Total General Revenues					<u>\$ 151,644</u>
Change in Net Assets					\$ (27,791)
Net Assets - Beginning					<u>412,150</u>
Net Assets - Ending					<u>\$ 384,359</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	General Fund	Special Revenue Fund	Permanent Fund Cemetery	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 96,791	\$ 3,289	\$ 1,000	\$ 101,080
Taxes Receivable	4,926	0	0	4,926
Due From Agency Fund	<u>32</u>	<u>0</u>	<u>0</u>	<u>32</u>
Total assets	<u>\$ 101,749</u>	<u>\$ 3,289</u>	<u>\$ 1,000</u>	<u>\$ 106,038</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Equity:				
Fund Balance				
Designated	\$ 44,935	\$ 0	\$ 1,000	\$ 45,935
Unreserved/Undesignated	<u>56,814</u>	<u>3,289</u>	<u>0</u>	<u>60,103</u>
Total Fund Equity	<u>\$ 101,749</u>	<u>\$ 3,289</u>	<u>\$ 1,000</u>	<u>\$ 106,038</u>
Total Liabilities and Fund Equity	<u>\$ 101,749</u>	<u>\$ 3,289</u>	<u>\$ 1,000</u>	<u>\$ 106,038</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds	\$ 106,038
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	692,162
Deduct: Accumulated depreciation	(404,221)
Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: Notes payable	<u>(9,620)</u>
Net assets of governmental activities	<u>\$ 384,359</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MARCH 31, 2008

	General Fund	Special Revenue Fund	Permanent Fund Cemetery	Total Governmental Funds
REVENUE				
Property Taxes	\$ 35,934	\$ 0	\$ 0	\$ 35,934
Licenses and Permits	1,229	0	0	1,229
State Shared Revenue	99,415	0	0	99,415
Charges for Services	6,050	0	0	6,050
Interest	4,133	37	6	4,176
Reimbursements and Insurance Recovered	7,504	0	0	7,504
Administration Fee Income	10,183	0	0	10,183
Cemetery Lot Sales	350	0	0	350
Miscellaneous	4,264	0	0	4,264
Total Revenue	<u>\$ 169,062</u>	<u>\$ 37</u>	<u>\$ 6</u>	<u>\$ 169,105</u>
EXPENDITURES				
General Government	\$ 83,549	\$ 0	\$ 0	\$ 83,549
Public Safety	48,041	0	0	48,041
Public Works	36,389	0	0	36,389
Recreation and Culture	0	300	0	300
Total Expenditures	<u>\$ 167,979</u>	<u>\$ 300</u>	<u>\$ 0</u>	<u>\$ 168,279</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 1,083</u>	<u>\$ (263)</u>	<u>\$ 6</u>	<u>\$ 826</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 6	\$ 2,000	\$ 0	\$ 2,006
Transfers Out	(2,000)	0	(6)	(2,006)
Payment on Siren Debt	(3,588)	0	0	(3,588)
Total Other Financing Sources (Uses)	<u>\$ (5,582)</u>	<u>\$ 2,000</u>	<u>\$ (6)</u>	<u>\$ (3,588)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (4,499)</u>	<u>\$ 1,737</u>	<u>\$ 0</u>	<u>\$ (2,762)</u>
FUND BALANCES - BEGINNING	<u>106,248</u>	<u>1,552</u>	<u>1,000</u>	<u>108,800</u>
FUND BALANCES - ENDING	<u>\$ 101,749</u>	<u>\$ 3,289</u>	<u>\$ 1,000</u>	<u>\$ 106,038</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds \$ (2,762)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	0
Deduct: depreciation expense	(27,889)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: Principal payments on long-term debt	<u>2,860</u>
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Change in net assets of governmental activities	<u><u>\$ (27,791)</u></u>
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The accompanying notes are an integral part of this statement.

TOWNSHIP OF MOSCOW
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2008

ASSETS

Cash	\$ <u>32</u>
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LIABILITIES

Due to Township General Fund	\$ <u>32</u>
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The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Moscow is located in Hillsdale County, Michigan, and comprises a population of approximately 1,353 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Moscow conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of significant accounting policies used by the Township of Moscow:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements – The statement of net assets and the statement of activities report information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Park and Recreation Fund - established as a special revenue fund to account for the revenue and expenditures associated with operation of parks.

Cemetery Permanent Fund - established as a permanent fund to account for the revenue and expenditures associated with a certificate of deposit donated to the Township for upkeep of the cemetery.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All trade and property tax receivables are considered to be fully collectible.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. For purposes of these financial statements, a capitalization threshold of \$1,000 was used. The Township needs to adopt a formal capitalization policy.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Furnishings and equipment	5 to 15 years
Vehicles	10 years

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities. The Township is paying for an outdoor warning siren costing \$15,600 in four annual payments with interest computed at 5.84% per annum.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- 1) Prior to March 31, the Board holds workshops and proposes an operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes authorize the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2008, the Township's deposits are in accordance with statutory authority.

The Township's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township minimizes credit risk by limiting investments to the types of securities allowed by State law. The Township has no policy that would further limit its investment choices.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk. At March 31, 2008, the carrying amount of the Township's bank deposits was \$101,112 and the bank's balance was \$104,217. The total bank balance was covered by federal depository insurance.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township has no policy that specifically identifies interest rate risk.

Foreign Currency Risk - The Township is not authorized to invest in investments which have this type of risk.

Investments

There were no investments held during the year.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 4 - RECEIVABLES

Receivables at March 31, 2008, consist of property taxes and are considered collectible in full because the real property tax delinquents are reimbursed to the Township by the Hillsdale County Treasurer.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	<u>Balance</u> <u>4-1-2007</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>3-31-2008</u>
Primary Government:				
Capital assets not being depreciated				
Land	\$ 61,640	\$ 0	\$ 0	\$ 61,640
Capital assets being depreciated				
Buildings & Improvements	\$ 85,772	\$ 0	\$ 0	\$ 85,772
Furniture & Equipment	234,550	0	0	234,550
Vehicles	310,200	0	0	310,200
Total capital assets being depreciated	\$ 630,522	\$ 0	\$ 0	\$ 630,522
Less: accumulated depreciation:				
Buildings & Improvements	\$ (48,133)	\$ (2,226)	\$ 0	\$ (50,359)
Furniture & Equipment	(87,299)	(16,388)	0	(103,687)
Vehicles	(240,900)	0	0	(250,175)
Total accumulated depreciation	\$ (376,332)	\$ (27,889)	\$ 0	\$ (404,221)
Total capital assets being depreciated - net	\$ 254,190	\$ (27,889)	\$ 0	\$ 226,301
Total capital assets, net	\$ 315,830	\$ (27,889)	\$ 0	\$ 287,941

Depreciation expense was charged to functions/programs of the Township as follows:

Unallocated	\$ 2,812
Public Safety	24,543
Culture and Recreation	534
Total	\$ 27,889

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at March 31, 2008, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 32	Tax Collection Fund	\$ 32

Interfund transfers during the year consisted of the following:

Transfers from Tax Collection Fund to General Fund	\$ 41,365
Transfer from General Fund to Park and Recreation Fund	2,000
Transfer from Cemetery Permanent Fund to General Fund	6

The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 7 – LONG TERM DEBT

The following is a summary of the changes in long-term debt:

	<u>Balance</u> <u>4-1-2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>3-31-2008</u>
Governmental Activities:				
Siren Installment Loan	\$ 12,480	\$ 0	\$ 2,860	\$ 9,620

The following is a schedule of principal and interest maturities:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended March 31, 2009	\$ 3,027	\$ 562	\$ 3,589
2010	3,203	385	3,588
2011	3,390	198	3,588
	<u>\$ 9,620</u>	<u>\$ 1,145</u>	<u>\$ 10,765</u>

Interest expense for the year ended March 31, 2008 was \$729.

NOTE 8 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2007 was .8466 mills for general operations on a total state taxable valuation of approximately \$42,293,000. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 10 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

TOWNSHIP OF MOSCOW
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 11 - RESTATEMENTS

As of and for the year ended March 31, 2008, the Township had an appraisal of their Capital Assets completed for inclusion in the Statement of Net Assets as required by Governmental Accounting Standards Board Statement No. 34. As a result, the following restatement was made to the beginning net asset account:

Fund Balances of General, Special Revenue and Permanent Funds as of March 31, 2007	108,800
Add: Governmental Capital Assets as of March 31, 2007	630,522
Deduct: Accumulated depreciation as of March 31, 2007 on the above Governmental Capital Assets	(376,332)
Installment Loan Payable as of March 31, 2007	<u>(12,480)</u>
Governmental Net Assets, Restated, as of March 31, 2007	<u>\$ 350,510</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF MOSCOW
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 106,248	\$ 106,248	\$ 106,248	\$ 0
Resources (Inflows)				
Property Taxes	37,200	37,200	35,934	(1,266)
Licenses and Permits	1,600	1,600	1,229	(371)
State Shared Revenue	90,000	90,000	99,415	9,415
Charges for Services	10,000	10,000	6,050	(3,950)
Interest Income	1,100	1,100	4,133	3,033
Administration Fee Income	0	0	10,183	10,183
Reimbursements and Insurance Recoveries	6,000	6,000	7,504	1,504
Cemetery Lot Sales	500	500	350	(150)
Miscellaneous	3,410	3,410	4,264	854
Transfer From Other Funds	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>
Amounts available for appropriation	<u>\$ 256,058</u>	<u>\$ 256,058</u>	<u>\$ 275,316</u>	<u>\$ 19,258</u>
Charges to Appropriations (Outflows)				
General Government				
Township Board				
Salaries	\$ 3,000	\$ 3,000	\$ 3,000	\$ 0
Dues and Subscriptions	1,000	1,000	913	(87)
Community Promotions and Services	1,800	1,800	1,253	(547)
Training and Education	400	400	75	(325)
Office Supplies	1,500	1,474	996	(478)
Professional Fees	1,500	1,500	1,411	(89)
Payroll Tax	3,500	3,500	2,943	(557)
Printing and Publishing	350	426	426	(0)
Insurance and Bonds	12,000	12,000	11,014	(986)
Supervisor				
Salary	7,000	7,000	6,476	(524)
Deputy	100	168	168	0
Supplies, Fees and Training	550	550	17	(533)
Clerk				
Salary	10,000	10,000	10,000	0
Deputy	500	500	96	(404)
Supplies, Fees and Training	600	1,037	725	(312)
Board of Review	550	550	203	(347)
Treasurer				
Salary	10,000	10,000	10,000	0
Deputy	800	800	800	0
Printing	100	100	0	(100)

TOWNSHIP OF MOSCOW
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008
(continued)

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
Treasurer - continued				
Office Supplies	\$ 3,000	\$ 3,000	\$ 1,691	\$ (1,309)
Training and education	1,200	1,200	412	(788)
Dues and Fees	750	750	0	(750)
Assessor				
Contract Services	11,000	11,000	10,944	(56)
Office Supplies, Printing, and Training	1,850	2,235	1,435	(800)
Dues and Fees	750	750	660	(90)
Elections	2,050	2,157	1,023	(1,134)
Building and Grounds	11,450	11,997	5,001	(6,996)
Cemetery				
Sexton Salary	2,750	3,581	2,831	(750)
Maintenance	15,375	16,170	12,625	(3,545)
Improvements	3,000	3,000	0	(3,000)
Fire Department				
Salaries	11,450	11,450	10,157	(1,293)
Supplies	2,950	4,211	3,711	(500)
Insurance and Bonds	10,000	10,000	9,627	(373)
Utilities	5,550	6,726	6,639	(87)
Community Services	100	100	0	(100)
Repair and Maintenance	7,000	7,969	7,636	(333)
Training and Education	2,000	2,164	2,164	0
Dues and Fees	100	526	526	0
Building and Equipment Improvements	6,000	9,992	3,992	(6,000)
Public Works				
Roads	29,000	29,822	29,682	(140)
Street Lights	1,500	1,583	1,583	0
Landfill	6,600	6,700	5,124	(1,576)
Capital Outlay	0	0	0	0
Transfers to Other Funds	2,000	2,000	2,000	0
Payment on Siren Debt	<u>4,000</u>	<u>4,000</u>	<u>3,588</u>	<u>(412)</u>
Total Charges to Appropriations	<u>\$ 196,675</u>	<u>\$ 208,888</u>	<u>\$ 173,567</u>	<u>\$ (35,321)</u>
End of Year Fund Balance	<u>\$ 59,383</u>	<u>\$ 47,170</u>	<u>\$ 101,749</u>	<u>\$ 54,579</u>

TOWNSHIP OF MOSCOW
BUDGETARY COMPARISON SCHEDULE
PARK AND RECREATION FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 1,552	\$ 1,552	\$ 1,552	\$ 0
Resources (Inflows)				
Interest Income	50	50	37	(13)
Transfers From Other Funds	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Amounts Available for Appropriation	<u>\$ 3,602</u>	<u>\$ 3,602</u>	<u>\$ 3,589</u>	<u>\$ (13)</u>
Charges to Appropriations (Outflows)				
Recreation and Culture				
Capital Outlay	\$ 1,602	\$ 1,602	\$ 0	\$ (1,602)
Repair and Maintenance	950	950	300	(650)
Miscellaneous Expense	50	50	0	(50)
Improvements	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
Total Charges to Appropriations	<u>\$ 3,602</u>	<u>\$ 3,602</u>	<u>\$ 300</u>	<u>\$ (3,302)</u>
End of Year Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,289</u>	<u>\$ 3,289</u>

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF MOSCOW
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2008</u>
ASSETS				
Cash	<u>\$ 205</u>	<u>\$1,030,683</u>	<u>\$ 1,030,856</u>	<u>\$ 32</u>
LIABILITIES				
Due to Other Funds	\$ 205	\$ 41,192	\$ 41,365	\$ 32
Due to County	0	491,551	491,551	0
Due to Schools	<u>0</u>	<u>497,940</u>	<u>497,940</u>	<u>0</u>
	<u>\$ 205</u>	<u>\$1,030,683</u>	<u>\$1,030,856</u>	<u>\$ 32</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 31, 2008

Moscow Township
Hillsdale County, Michigan

In planning and performing our audit of the financial statements of Moscow Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, however we did note the following matter that we recommend be addressed:

Investments

The Township should adopt a revised investment policy to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 40.

Moscow Township
Page 2

This communication is intended solely for the information and use of the Township Board and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodshue + Company PC

Jonesville, Michigan
October 31, 2008